

Message Text

CONFIDENTIAL

PAGE 01 BONN 10941 01 OF 03 101729Z

45

ACTION EUR-25

INFO OCT-01 ACDA-19 ISO-00 AGR-20 EURE-00 AID-20 CEA-02

CIAE-00 COME-00 EB-11 EA-11 FRB-02 INR-10 IO-14

NEA-14 NSAE-00 RSC-01 OPIC-12 SP-03 TRSE-00 CIEP-02

LAB-06 SIL-01 SWF-02 OMB-01 SAJ-01 STR-08 SS-20 NSC-07

L-03 PA-04 PRS-01 USIA-15 SAM-01 FEAE-00 DRC-01 OIC-04

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P R 101714Z JUL 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC PRIORITY 3712

INFO AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY THE HAGUE

AMEMBASSY LISBON

AMEMBASSY LUXEMBOURG

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY REYKJAVIK

AMEMBASSY ROME

AMEMBASSY LONDON

AMEMBASSY DUBLIN

AMEMBASSY MOSCOW

USMISSION EC BRUSSELS

USMISSION NATO BRUSSELS

USDEL MBFR VIENNA

C O N F I D E N T I A L SECTION 01 OF 03 BONN 10941

E.O. 11652: GDS

TAGS: PFOR, FR, GW

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PAGE 02 BONN 10941 01 OF 03 101729Z

SUBJECT: JULY 8-9 FRANCO-GERMAN SUMMIT

BEGIN SUMMARY: THE JULY 8-9 FRANCO-GERMAN SUMMIT
FOCUSED PRINCIPALLY ON ECONOMIC ISSUES, WITH BOTH
GOVERNMENTS PLEDGING TO DEVELOP "PARALLEL" POLICIES IN
FURTHERING THE ECONOMIC STABILITY OF THE EC, END SUMMARY

1. FRG FONOFF POLITICAL DIRECTOR VAN WELL BRIEFED
MINISTER CASH, IN THE AMBASSADOR'S ABSENCE, ON JULY 9 ON
THE HIGHLIGHTS OF THE JULY 8-9 FRANCO-GERMAN SUMMIT TALKS
IN BONN. COMMENTS ON CSCE AND THE EURO-ARAB DIALOGUE
ARE REPORTED BY SEPTELS. THE EMBASSY WILL REPORT MORE
FULLY ON THE VARIOUS ECONOMIC ASPECTS OF THE DISCUSSIONS.

2. VAN WELL REPORTED THAT THE FRANCO-GERMAN CONSULTATIONS
FOCUSED VERY MUCH ON ECONOMIC MATTERS. GISCARD EMPHASIZED
THE "PARALLELISM" OF THE TWO GOVERNMENTS' FIGHT AGAINST
INFLATION. GISCARD BELIEVES THAT WITHIN ONE TO TWO
YEARS FRANCE WILL BE ABLE TO REDUCE ITS RATE OF INFLATION
TO THE SAME LEVEL AS THAT OBTAINING IN GERMANY.

3. BOTH COUNTRIES WILL TRY TO COORDINATE THEIR
ECONOMIC STABILITY POLICIES. BY ADMINISTRATIVE MEANS
(NOT FURTHER EXPLAINED), THE GERMANS WILL TRY TO DIS-
COURAGE EXPORTS WHEREAS THE FRENCH WILL DO THEIR BEST
NOT TO ENCOURAGE IMPORTS. IN THIS WAY, THE PRESENT
IMBALANCE BETWEEN THE TWO COUNTRIES WILL LEVEL OUT. A
HOPEFUL FACTOR NOW ON THE HORIZON, ACCORDING TO FRG
ECONOMIC MINISTER FREDERICH, IS THAT INTERNAL DEMAND
IN THE FRG IS INCREASING, WITH A CONSEQUENT DECREASE IN
THE VOLUME OF GOODS AVAILABLE FOR EXPORT.

4. ON THE ENERGY QUESTION, THE GERMANS ARGUED HOW
IMPORTANT IT WAS FOR THE FRENCH TO PARTICIPATE IN A
COORDINATED EFFORT TO ADDRESS THIS ISSUE. BOTH SIDES
AGREED THAT THE ENERGY QUESTION COULD BEST BE PURSUED
WITHIN THE FRAMEWORK OF THE OECD, WITH THAT ORGANIZATION
ASSUMING PRINCIPAL RESPONSIBILITY AT THE "APPROPRIATE
TIME." THE "APPROPRIATE TIME" WAS NOT DEFINED WITH ANY
PRECISION.

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PAGE 03 BONN 10941 01 OF 03 101729Z

5. VAN WELL REPORTED THAT BOTH SIDES AGREED THE CAP WAS
AT THE "POINT OF NO RETURN." THE POSSIBILITY OF SELLING
EC STORED BEEF WAS DISCUSSED. THE FRENCH ARE IN FAVOR
OF SUCH SALES, PROVIDED PRICE INTERVENTION IS MAINTAINED.
THE GERMANS, ON THE OTHER HAND, EXPRESSED STRONG RESERVA-
TIONS ABOUT SELLING FOOD TOO CHEAPLY. THEY MENTIONED
THE DOMESTIC POLITICAL DIFFICULTIES WHICH AROSE AS A
RESULT OF SALES OF CHEAP FOOD TO THE RUSSIANS. THE

FRENCH, TOO, HAD RESERVATIONS ABOUT SELLING TO NON-EC NATIONS.

6. DURING THE NEXT FEW MONTHS THE EC WILL PURSUE TWO OBJECTIVES PRINCIPALLY. FIRST, THE GLOBAL MEDITERRANEAN POLICY WILL BE PURSUED. ALSO, NEGOTIATIONS WITH THE ASSOCIATED COUNTRIES (ACP) WILL BE CONTINUED. VAN WELL POINTED OUT THAT THE DIVERGENCES OF POINTS OF VIEW ON BOTH SIDES HAD NARROWED WITH REGARD TO THE ABOVE ISSUES.

7. AS FOR THE INSTITUTION OF THE EC ITSELF, BOTH SIDES FELT THAT EC PROCEDURES WOULD BE IMPROVED AT THE COUNCIL OF MINISTERS MEETINGS IF A RESTRICTED SESSION WERE HELD PRIOR TO THE CONVENING OF THE REGULAR SESSION. THIS WOULD AFFORD THE MINISTERS AN OPPORTUNITY TO REACH AGREEMENT AMONG THEMSELVES. THIS NEW PROCEDURE WILL APPARENTLY BE TRIED AT THE NEXT COUNCIL MEETING SCHEDULED TO CONVENE

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PAGE 01 BONN 10941 02 OF 03 101732Z

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P R 101714Z JUL 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC PRIORITY 3713

INFO AMEMBASSY ANKARA

AMEMBASSY ATHENS

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AMEMBASSY COPENHAGEN
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C O N F I D E N T I A L SECTION 02 OF 03 BONN 10941

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BONN 10941 02 OF 03 101732Z

ON JULY 22 IN PARIS. IT IS ALSO HOPED THAT THE WORK LOAD ON THE COUNCIL OF MINISTERS CAN BE RELIEVED IN SOME WAY BY STRENGTHENING THE ROLE OF THE PERMREPS AND THE COMMISSION. THE FRENCH AND GERMANS ALSO CONCLUDED THAT THE TENDENCY OF MINISTERIAL MEETINGS TO EXPAND TO SUCH FIELDS AS EDUCATION, SCIENCE, ETC., SHOULD BE STOPPED. INSTEAD, SUCH WORK SHOULD BE CHANNELED THROUGH THE MEETING OF THE FOREIGN MINISTERS RATHER THAN THE OTHER MINISTERIAL DEPARTMENT HEADS.

8. ON SECURITY MATTERS, SAUVAGNARGUES REITERATED THE POSITION WHICH HE SET FORTH IN OTTAWA. THE FRENCH FULLY INTEND TO COOPERATE MORE CLOSELY IN THE ALLIANCE IN THE HOPE OF ACHIEVING ITS COMMON PURPOSES. HOWEVER, THERE WILL BE NO REINTEGRATION OF FRENCH ARMED FORCES INTO THE MILITARY STRUCTURE OF THE ALLIANCE. THE FRENCH WANT EUROPEAN COOPERATION IN ARMAMENTS. WITH REGARD TO THE EUROGROUP, THE FRENCH INDICATED THAT BECAUSE IT IS VIEWED AS A SYMBOL OF SUBORDINATION TO THE UNITED STATES, FRANCE COULD NOT JOIN IT. IF IT WERE FOUNDED NOW, THEN THE FRENCH WOULD LOOK FAVORABLY UPON PCIATING THEMSELVES WITH IT. THE FRENCH VIEW WITH REGARD TO MBFR HAS NOT CHANGED. THEY DO NOT WISH TO PARTICIPATE IN THE NEGOTIATIONS IN VIENNA, AND THEY SEE THE PRINCIPAL SOVIET PURPOSE IN MBFR AS ONE OF GAINING CONTROL OVER THE BUNDESWEHR.

9. AS FOR THE PROPOSED EC-9 SUMMIT, THE FRENCH ENVISAGE

ONE BEING HELD IN DECEMBER. THIS WOULD BE AFTER THE PROBABLE BRITISH ELECTIONS THIS FALL AND HOPEFULLY BEFORE A CSCE SUMMIT. THE FRENCH WANT TO HAVE ONE TO TWO CONCRETE ISSUES FOR CONSIDERATION AT THE SUMMIT UPON WHICH THE MINISTERS CAN ACT.

10. FOREIGN MINISTER GENSCHER INFORMED HIS FRENCH COUNTERPART ABOUT THE FRG PLANS FOR THE FEDERAL ENVIRONMENTAL AGENCY OFFICE IN BERLIN. WHILE SAUVAGNARGUES DID NOT DEMUR ON THE PLAN FOR THE OFFICE'S ESTABLISHMENT, HE DID EXPRESS CONCERN ABOUT THE POSSIBILITY OF ACCESS DIFFICULTIES ON THE TRANSIT ROUTES. GENSCHER IS REPORTED TO HAVE SAID THAT SUCH ACCESS DIFFICULTIES, CONFIDENTIAL

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PAGE 03 BONN 10941 02 OF 03 101732Z

WERE THEY TO OCCUR, WOULD BE A BLATANT SETBACK TO DETENTE. HE SAID THAT THE SOVIETS WOULD BE IN VIOLATION OF THE CORE PROVISION OF THE QUADRIPARTITE AGREEMENT, AND THAT CONSEQUENTLY NO FURTHER PROGRESS ON CSCE WOULD BE POSSIBLE.

11. VAN WELL CHARACTERIZED THE ATMOSPHERE DURING THE SUMMIT AS VERY GOOD AND FRIENDLY. THE SERIES OF MEETINGS BETWEEN THE RESPECTIVE MINISTERS ADDRESSED THE REAL PROBLEMS WHICH FACE EUROPE AND NOT THE THEOLOGY OF THE EUROPEAN PERSONALITY OR IDENTITY.. HOWEVER, NEITHER DID THEY IGNORE THE QUESTION OF FUTURE EUROPEAN POLITICAL UNITY, WITH BOTH SIDES AGREEING NOT TOO MUCH COULD BE DONE UNTIL AFTER MID-SEPTEMBER. BOTH GOVERNMENTS EXPRESSED THE HOPE THAT THEIR STABILITY POLICY WILL SPREAD TO OTHER EC GOVERNMENTS, AND BOTH PROFESS TO SEE SIGNS THAT ITALY IS ALSO MOVING IN THE RIGHT DIRECTION.

12. COMMENT: THE FIRST FRANCO-GERMAN SUMMIT SINCE THE DEATH OF POMPIDOU AND THE FALL OF BRANDT TOOK PLACE UNDER PROPITIOUS OMENS IN BONN. THE PRINCIPAL

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PAGE 01 BONN 10941 03 OF 03 101740Z

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/242 W

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P R 101714Z JUL 74

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C O N F I D E N T I A L SECTION 03 OF 03 BONN 10941

CONFIDENTIAL

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PAGE 02 BONN 10941 03 OF 03 101740Z

PROTAGONISTS - GISCARD AND SCHMIDT - ARE CLOSE COLLEAGUES
FROM FINANCE MINISTRY DAYS, AND THEIR RAPPORT COULD NOT
BUT HELP SET A FAVORABLE TONE FOR THE SEVEN OTHER
MINISTERIAL DISCUSSIONS HELD DURING THE TWO-DAY SUMMIT.
GISCARD AND SCHMIDT CLOSETED THEMSELVES IMMEDIATELY

UPON THE FRENCHMAN'S ARRIVAL FOR A LONG DISCUSSION WHICH, INCIDENTALLY, WAS CONDUCTED IN ENGLISH. THE SUMMIT TALKS, COMING AS THEY DID FOLLOWING THE NATO OTTAWA MINISTERIAL, THE SIGNING OF THE ATLANTIC DECLARATION IN BRUSSELS AND THE AMERICAN-SOVIET SUMMIT, CARRIED FORWARD THE MOMENTUM IN THE WESTERN CAMP IN GENERAL AND FRANCO-GERMAN RELATIONS IN PARTICULAR. BOTH GOVERNMENTS HAD INDICATED BEFORE THE SUMMIT THAT THERE WERE NO SERIOUS BILATERAL DIFFERENCES. THIS SEEMS TO HAVE BEEN BORNE OUT BY VARIOUS REPORTS AFTER THE DISCUSSIONS.

13. AS ANTICIPATED, ECONOMIC ISSUES DOMINATED THE TALKS, WITH BOTH LEADERS CONVINCED THAT ECONOMIC - RATHER THAN SECURITY - PROBLEMS DESERVED PRINCIPAL ATTENTION. THE KEY WORD WAS "PARALLELISM," WITH BOTH GOVERNMENTS INDICATING A WILLINGNESS TO WORK TOGETHER TO BUILD A STRUCTURE OF ECONOMIC STABILITY IN THE EC. WHETHER GISCARD'S INTENTION TO LOWER FRANCE'S RATE OF INFLATION WITHIN ONE TO TWO YEARS TO MATCH THAT OF GERMANY IS REALIZABLE OR WHETHER THE GERMAN PERCEPTION OF A SLOWDOWN IN THE EXPORT BOOM IS ILLUSORY MUST WAIT UPON THE MARCH OF EVENTS. CERTAINLY, FRANCO-GERMAN HARMONIZATION OF POLICY IN CONFRONTING THE ECONOMIC ISSUES PLAGUING THE WESTERN WORLD MEANS A RETURN TO A CLOSER WORKING RELATIONSHIP BETWEEN THE EC'S PRINCIPAL POWERS. BOTH SIDES DEMONSTRATED THE PAST TWO DAYS THAT SHOULD THEIR MUTUAL EFFORTS ON THE ECONOMIC FRONT FAIL, IT WILL NOT BE FOR LACK OF POLITICAL WILL OR POLICY DIRECTION AT THE HIGHEST LEVEL.
CASH

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC DEVELOPMENT, INFLATION, ECONOMIC STABILITY, SECURITY, SUMMIT MEETINGS, MEETING REPORTS, ECONOMIC REPORTS, ECONOMIC PROGRAMS, PRICES, INTER GOVERNMENTAL COOPERATION
Control Number: n/a
Copy: SINGLE
Draft Date: 10 JUL 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BONN10941
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740183-1024
From: BONN
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1974/newtext/t19740763/aaaacblc.tel
Line Count: 362
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 7
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 20 MAR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <20 MAR 2002 by izenbei0>; APPROVED <13 MAY 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: JULY 8-9 FRANCO-GERMAN SUMMIT BEGIN SUMMARY: THE JULY 8-9 FRANCO-GERMAN SUMMIT
TAGS: PFOR, FR, GE
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005